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Joint Inspection Unit

Review of long-term agreements in procurement in the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit entitled "Review of long-term agreements in procurement in the United Nations system" (JIU/REP/2013/1).

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Summary

The report of the Joint Inspection Unit entitled "Review of long-term agreements in procurement in the United Nations system" (see A/69/73) provides an overview of the existing policies and practices in the use of long-term agreements in procurement in United Nations system organizations.

The present note reflects the views of organizations of the United Nations system on the recommendations provided in the report. The views have been consolidated on the basis of inputs provided by member organizations of the United Nations System Chief Executives Board for Coordination, which welcomed the report and supported some of its conclusions.

I. Introduction

1. In its report entitled "Review of long-term agreements in procurement in the United Nations system" (see A/69/73), the Joint Inspection Unit assessed the existing policies and practices in the use of long-term agreements in procurement in United Nations system organizations and evaluated the relevance, efficiency and effectiveness of those instruments. The Unit found that long-term agreements contributed to the efficiency and effectiveness of procurement processes, while identifying potential risks in current practices that could result in less efficient and effective procurement.

II. General comments

2. United Nations system organizations welcomed the report of the Joint Inspection Unit on long-term agreements in the United Nations system. The organizations found it informative, with many entities generally supportive of the analysis and conclusions contained herein, and provided comments in several areas.

3. Organizations supported the Joint Inspection Unit's assessment that, in the United Nations system, procurement was generally viewed as a transactional, back-office function instead of a strategic one, and that moving procurement to a more strategic footing would assist organizations in achieving their objectives.

4. Organizations agreed that the issue of sharing long-term agreements among United Nations system entities should remain a key focus of United Nations system procurement harmonization activities, although they noted that the use of long-term agreements in the United Nations system was, to some extent, already efficient and effective, with variations in specifications between organizations possibly being the single biggest limiting factor. Common specifications, organizations suggested, would allow for greater volume leveraging and best value for money through demand aggregation across the United Nations system. Organizations also agreed with the Joint Inspection Unit's assessment that the Procurement Network of the High-level Committee on Management should be supported to play a greater and more effective role in harmonization and collaborative procurement.

5. One agency suggested that the United Nations system might wish to consider implementing targeted procurement for some commodities intended for joint long-term agreements. Such an approach would elevate purchasing from the cost-attracting routine of order placement to a level of planned activity that concentrates resources on those areas that add value to the procurement process through the adoption of differentiation in procurement techniques.

6. United Nations system organizations suggested that the deployment of appropriate information technology solutions to the management of long-term agreements presented new opportunities to break down traditional organizational barriers in the United Nations and simplify processes, improve productivity and increase efficiency. Examples include systems that allow access to suppliers' catalogues and inventory data, as well as ordering, payment, tracking, inventory management and other benefits.

7. Organizations supported the development of requisitioner training programmes. A number of entities indicated that, although paragraph 73 of the

report described contract management as a shared responsibility of the procurement and requisitioner departments, the burden for contract management should clearly rest with the requisitioner.

III. Specific comments on recommendations

Recommendation 1

Executive heads should develop specific procurement policies and guidelines for the strategic use of long-term agreements by their organizations. These should aim to clarify the purpose, advantages, disadvantages, possible strategies, main elements, and types of long-term agreements, and when and how to establish them.

8. Agencies supported the Joint Inspection Unit's call for the development of specific policies and guidelines for the strategic use of long-term agreements, as described in recommendation 1.

Recommendation 2

Executive heads should implement a policy to ensure that for every long-term agreement a contract management plan is developed that clearly defines the contract work breakdown structure, roles and responsibilities of all parties involved, and control and accountability mechanisms. Detailed guidelines, methods and tools (including appropriate clauses and contractual mechanisms) must be provided to the contract managers.

9. While agencies generally supported the concepts presented in recommendation 2, namely calling for executive heads to ensure that contract management plans are in place for long-term agreements, some agencies indicated that not all issues had been fully taken into account in the report. For example, agencies noted that contract management was important not only for long-term agreements but for all kinds of contracts. Furthermore, some of the measures mentioned in the report required resources that might not be available, especially in the case of smaller organizations, and the net benefits/losses between resource expenses (staff or software) and cost savings (through better contract monitoring) might not justify sophisticated contract management. Agencies also emphasized that "contract management" was the responsibility of the requisitioner and/or end user, while the procurement organization was responsible for contract administration, although many procurement departments assisted in that area through training and other services.

Recommendation 3

Executive heads should proactively pursue collaborative long-term agreement opportunities through various methods, including establishing/improving policies and guidelines to facilitate collaboration, circulating long-term agreement tenders which could be of interest to other organizations, listing their organization's long-term agreements on the United Nations Global Marketplace, and seeking up-to-date information on available long-term agreements in the United Nations system.

10. Many agencies indicated their support for recommendation 3, which calls for executive heads to pursue long-term agreement opportunities. In some cases,

agencies have implemented changes to existing policies that allow for the use of long-term agreements negotiated by other agencies. However, it should be noted that the General Assembly has not rendered a formal decision concerning the lead organization concept, and therefore the United Nations Secretariat is limited in its ability to pursue collaboration apart from making its systems contracts available to other United Nations organizations.

Recommendation 4

The executive heads of the organizations should support the advancement of the work of the Procurement Network of the High-level Committee on Management on the harmonization of procurement documents, collaborative use of long-term agreements, and joint procurement of vehicles. They should also facilitate the work of the Legal Network to expedite their efforts towards harmonizing the general terms and conditions of contracts.

11. Agencies concurred with the recommendation that calls for executive heads to support the efforts of the Procurement Network as it proceeds with the harmonization of procurement documents and other areas. However, several agencies expressed concerns regarding the emphasis on the harmonization of general terms and conditions. The experience of some agencies with collaborative procurement indicates that differences in the general terms and conditions do not unduly hamper joint procurement activities, and the resources, time and effort required to obtain harmonized general terms and conditions may be better spent identifying areas of increased collaboration even in the absence of harmonized documents.

Recommendation 5

The legislative/governing bodies should exercise their oversight role on the procurement function and procurement activities with a view to ensuring that the procurement function adequately fulfils its strategic role and that procurement activities, including long-term agreements, are carried out based on sound procurement plans and strategies.

12. While the Joint Inspection Unit directed recommendation 5 at legislative bodies, agencies agreed that procurement was increasingly being recognized as part of the range of strategic business management functions, and noted significant progress in recent years on improving procurement rules, policies and procedures to harmonizing practices across United Nations organizations.